Decision **PROPOSED DECISION OF MYRA PRESTIDGE (Mailed 6/10/2003)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 M) for Authority to Continue Funding of LEV Programs.	Application 02-03-047 (Filed March 25, 2002)
Application of Southern California Edison Company (U 338-E) to Extend the Operation of its Electric Vehicle Adjustment Clause Mechanism and Related Accounts Until the Date of the Commission's Final Decision in SCE's Test Year 2003 General Rate Case Proceeding.	Application 02-03-048 (Filed March 25, 2002)
Application of Pacific Gas and Electric Company for Review of and Authorization for Recovery of Costs Relating to Its Low Emission Vehicle (LEV) Program for 2002 through 2005. (U 39 E)	Application 02-03-049 (Filed March 25, 2002)

DECISION ON FUNDING FOR LOW EMISSION VEHICLES

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DECISION ON FUNDING FOR LOW EMISSION VEHICLES

1. Summary

This decision acts on applications by Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Pacific Gas and Electric Company (PG&E) (collectively, utilities or IOUs) for funding for the discretionary aspects of their Low Emission Vehicle (LEV) programs. We continue to support the environmental benefits of programs designed to develop and support motor vehicles powered by electricity and natural gas.

However, we find that the utilities' discretionary[1] LEV spending provides few ratepayer benefits, is often focused in areas that the Commission expressly disallowed in earlier decisions, and is vaguely described in many instances. For these reasons, we will allow the IOUs one additional year of ratepayer funding of discretionary LEV programs, with strict limitations and reporting requirements. The IOUs should be aware that we are unlikely to continue funding these programs after the year is over unless they make a far better showing than they have to date. They shall discontinue the types of activities we find of no ratepayer benefit or that contravene earlier Commission decisions.

We do not now provide a process for the IOUs to seek new LEV discretionary funding after the year is over. If, upon review of the reports we order the IOUs to submit, we determine that there is any basis to justify continued discretionary funding, we will invite the IOUs to submit new funding applications at that time. However, it is unlikely that such funding will continue after the one-year period given the problems we detail in this decision.

[1] We explain the difference between discretionary and mandatory LEV funding below.

The ratepayer-funded LEV activities break down into three key areas. First, the IOUs share information they have gained as operators of their own LEV fleets with other actual or potential fleet owners. This information sharing is the key focus of the IOUs' "customer education" activities. Second, they evaluate new LEV products to determine their impact on the energy grids they operate. This appears to be their principal activity aimed – at least allegedly – at enhancing system reliability. Third, they provide information on safe fueling and charging techniques to third parties who use IOU-owned fueling stations and charge electric vehicles.

The utilities claim that each of these activities meets the Commission's requirement that the IOUs' LEV funding be used to provide safer, more reliable, or less costly gas or electrical service. We do not believe the IOUs' customer education activities meet the foregoing standard, as they simply subsidize fleet owners at ratepayer expense. While we agree that on their face, the second and third types of activity relate to safety and reliability, the budgets the IOUs request for safety- and reliability-related activities are overstated.

While we believe some of the safety-related work the IOUs perform is necessary, we believe the IOUs also are overstating the budget impacts of this activity. As we explain below, the discretionary LEV budgets include safety education only for non-IOU employees, and the evidence shows a low volume of customers needing IOU safety training. Thus, we halve the IOU's requested safety budgets.

With regard to reliability-related work, the IOUs appear to argue that every dollar they spend on evaluating new LEV products is devoted to ascertaining whether the grid will be able to bear the load impacts of such technology. This position overstates the load burden of LEVs. We believe much of the IOUs' technology evaluation and assessment activity, while interesting, is not necessary to ensure reliability. We cut most of this activity from the IOUs' budgets.

Finally, we deny each IOU funding request not linked to the requirement that LEV funding promote safer, more reliable or less costly gas or electric service on the ground the IOUs have failed to meet their burden of proof.

2. Background

A. Market for LEVs

The market for pure electric vehicles (EV) is quite small. While nearly all EVs are in California,[2] there are only 2,300 battery EVs on California's roads.[3] A report SCE and PG&E submitted to the Commission states that "according to vehicle manufacturers, expected California light-duty[4] EV [2002] sales are currently estimated at about 400 vehicles."[5] There are currently no plug-in hybrid vehicles – vehicles with both an electric motor and an internal combustion engine that are cable of operating completely with the electric motor and a battery system charged from the electric grid – available on the market in the

[2] 2 RT 230-31. References to the Reporter's Transcript are abbreviated as "RT." Thus, 2 RT 230-31 refers to Volume 2 of the Reporter's Transcript at pages 230-31.

[3] Testimony of Analisa Bevan for California Air Resources Board (Commission Hearing Exhibit [Exh.] 1200), at 1.

[4] Light-duty EVs include passenger cars and trucks.

[5] *Report on the Electric Vehicle Markets, Education, RD&D and the California Utilities' LEV Programs*, March 22, 2002 (Exh. 100), at 2-2.

U.S.[6] Full-scale commercialization of fuel cell technology is not anticipated until at least 2010 due to "significant engineering and technology challenges [that] lie ahead."[7]

On the natural gas side, the picture is slightly better. There are approximately 100,000 natural gas vehicles (NGVs) in the United States, 20% of which are in California. There are approximately 200 liquid natural gas vehicles operating in California.[8]

Most of the increases in LEV production (except the production of internal combustion engine/electric hybrid vehicles that do not require electric charging) have been driven by regulatory requirements. However, the extent of the regulatory requirements is something of a moving target, and it is difficult to determine where those requirements will settle. The federal Energy Policy Act (EPAct)[9] requires alternative fuel providers to use alternative fuel vehicles for at least 90 percent of their newly-acquired light duty vehicles for model year 2000, but a Federal Judge has found that the federal government is not meeting these requirements.[10] The California Air Resources Board (CARB) requires that automakers produce electric vehicles in California, but its requirements are on

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6 *Id.* at 2-4 – 2-5.

7 *Id.* at 2-5.

8 4 RT 523.

9 Pub. L. 102-486, codified in 42 U.S.C.; *see also* 10 C.F.R. §§ 490.302 & 490.307.

10 *See Center for Biological Diversity et al. v. Abraham*, No. C 02-00027 WHA, *Order Denying Defendants' Motion for Summary Judgment, et al.*, dated July 26, 2002 (Exh. 204).

hold due to automaker lawsuits. In addition, CARB recently relaxed its rules to expand the types of vehicles that satisfy its requirements. Regional air quality management districts have their own, often changing, requirements.

B. History of IOU LEV Funding

We approved IOU ratepayer funding for LEVs in 1993 in Decision (D.) 93-07-054, after the Legislature enacted Pub. Util. Code § 740.3 *et seq.* The statute provides that the Commission should work with other state agencies, air quality management districts, the motor vehicle industry and the IOUs to facilitate the use of electric power and natural gas to fuel LEVs. The statute prohibits the Commission from passing funding for such programs through to ratepayers unless they are in the ratepayers' interest. In 1999, the Legislature amended Pub. Util. Code § 740.8 to provide that "interests of ratepayers, short- or long-term, mean direct benefits that are specific to ratepayers in the form of *safer, more reliable, or less costly gas or electrical service*."[11]

We decided D.93-07-054 prior to the enactment of the foregoing definition, and therefore developed our own guidelines to determine whether ratepayers should pay for LEV programs. Those guidelines provided for ratepayer LEV funding "if the utilities can demonstrate that" the programs promote 1) reliable and efficient utility service, 2) safe service, 3) environmentally and socially responsible utility service or 4) reasonable rates.[12] Thus, the IOUs bear the burden of proof in these proceedings.

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[11] Emphasis added.

[12] D.03-07-054, 1993 Cal. PUC LEXIS 574, at *21-29 and *32-33.

We imposed four additional requirements in D.93-07-054: compliance with statutory guidelines related to research and development and demand side management; consultation with the rest of the industry; consistency with other agencies; and preservation and accommodation of competition.

First, we required that ratepayer-funded LEV programs comply with statutory and Commission guidelines related to Research, Development and Demonstration (R&D or RD&D) and Demand Side Management. Second, the IOUs had to demonstrate that they had reviewed programs of the motor vehicle industry, state, regional and local agencies, other utilities and state and national electric and natural gas LEV research groups to ensure their programs did not unnecessarily duplicate and were complementary with the programs of these entities. This condition is germane to our discussion later in this decision. Third, we required the utilities to demonstrate that their programs are generally consistent with goals, policies and objectives of state and federal legislation and state and local agency action. Finally, utilities' programs could not unfairly compete with nonutility enterprises or interfere with the development of a competitive market. This requirement is also important to our discussion later in this decision.

We did not decide on funding for any particular LEV activities in D.93-07-054, but instead directed the IOUs to file 6-year program applications. In 1995, we issued D.95-11-035, our decision acting on those applications. We found that some of the IOUs' proposed programs satisfied the guidelines, but that others were not in the ratepayers' long-term interest. Among other things, we prohibited ratepayer funding to develop products for commercial use and to market LEVs. These limitations are highly relevant to our discussion below.

We also made clear in D.95-11-035 that ratepayer funding of LEV programs would not continue indefinitely:

> Where direct benefits to captive ratepayers are insufficient to support ratepayer funding of utility ventures, utilities are strongly encouraged to undertake new market activities of a broader scope, *but should do so at shareholder expense*. . . . This not only protects captive consumers from subsidizing new business ventures, it also allows utilities to reap the rewards of successes and swallow the penalties of economic losses.[13]

We reiterated this point in our 1998 decision denying rehearing of D.95-11-035: "[T]he Legislature and the Commission intended funding for these essentially experimental programs for a specific six-year period, not an open-ended one."[14]

We also stated in D.95-11-035 that the LEV statute does not obligate us to fund any IOU LEV programs. While the law "encourage[s] this Commission to approve utility programs that support the development of a market for [LEVs] . . . , no ratepayer funds can be expended unless the program will provide direct benefits to ratepayers in the form of safer, more reliable or less costly gas or electric service."[15] Thus, to the extent the IOUs cannot prove that their ratepayer-funded LEV programs provide such direct ratepayer benefits, the Commission must disallow the funding.

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[13] D.95-11-035, 1995 Cal. PUC LEXIS 978, at *15 (emphasis added).

[14] D.98-12-098, 1998 Cal. PUC LEXIS 918, at *3-4.

[15] D.95-11-035, 1995 Cal. PUC LEXIS 978, at *131.

We also prohibited the utilities from undertaking ratepayer-funded research to develop new products.[16] We made clear that while utilities could engage in new product evaluation in order adequately to plan and manage the electric vehicle recharging load, ratepayers should not fund the development of new products. This restriction will become relevant when we discuss PG&E's and SoCalGas' use of ratepayer funding in partnership with the Idaho National Engineering and Environmental Laboratory (INEEL), a laboratory operated for the United States Department of Energy (DOE) by Bechtel Corporation.

D.95-11-035 authorized funding for utility LEV programs for six years. The funding expired on December 21, 2001. We extended the funding through December 31, 2002 in Resolution G-3322, and through our final decision on these applications in D.02-12-056. We explained in D.02-12-056 that, "We do not prejudge the utilities' applications for any additional funding or new program activities, or whether continued funding of existing LEV program activities pursuant to our final decision is appropriate."[17]

D.95-11-035 provided that the utilities would record their LEV program expenses in "one-way" balancing accounts. The accounts are so labeled because their usage requires the utilities to refund to ratepayers funds reflected in rates but left unspent, but does not allow them to recover from ratepayers any expenditures in excess of the authorized accounts.[18]

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16 *Id.* at *32.

17 D.02-12-056, *mimeo.*, at 7.

18 D.95-11-035, 1995 Cal. PUC LEXIS 978, at *138.

D.02-12-056 also made clear that we would be considering only "discretionary" LEV program activities, such as customer service, training, research and development and other "non-mandatory" LEV programs, in this proceeding.[19] These discretionary programs are not the subject of statutory clean air requirements, but rather are carried out by the IOUs at their own discretion. This decision acts only on the IOUs' discretionary funding requests.

We explained that we would review "mandatory" LEV program activities in each utility's general rate case (GRC) or cost-of-service proceeding.[20] We identified as "mandatory" activities the acquisition of alternative fuel use fleet vehicles pursuant to federal law, operation and maintenance costs associated with use of alternative fuel use fleet vehicles and associated infrastructure, infrastructure (fueling facilities and related equipment) needed to support alternative fuel use fleet vehicles, employee training and instruction necessary for the use of alternative fuel use fleet vehicles, and accounting for the costs of these mandatory activities. These activities are therefore outside the scope of this decision. To the extent the IOUs have included requests for mandatory funding in their applications – even interim funding pending the outcome of their GRCs or cost-of-service proceedings – we do not act on them here. They will have to seek interim funding in those other proceedings.

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[19] *See Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge,* June 26, 2002.

[20] *Id.*

C. The IOUs' Applications

In this decision, we act on each IOU application consistently, rather than allowing the IOUs different procedural options. For each program, we extend funding for one year, to expire one year from the effective date of this decision, and impose several conditions for continued IOU funding. Due to the concerns we express in this decision, we approve no funding for the period after this one-year period ends. The IOUs shall file quarterly reports as directed elsewhere in this decision.

1. SoCalGas/SDG&E's Applications

SoCalGas and SDG&E filed a joint application seeking $2,924,000 in total discretionary LEV funding. This amount breaks down as follows:

SoCalGas	
Item	**Requested Funding (annual)**
Customer information, education and training	$1,100,000
NGV R&D	$935,000
Subtotal SoCalGas	$2,035,000
SDG&E	
NGV customer information program	$450,000
EV customer information program	$439,000
Subtotal SDG&E	$889,000
Total SoCalGas / SDG&E	$2,924,000

2. PG&E's Application

PG&E seeks $5,026,000 in total discretionary LEV funding. Using PG&E's chart, this amount breaks down as follows:

Program Activities	**Program Description**	**$ (Million)**
Customer Education		**$2.635**
I. LEV Vehicle Safety and Infrastructure Training	Fueling, Vehicle, and Infrastructure Safety training for PG&E employees as well as outside fleet operators and individuals	$0.496
II. LEV Technology and Infrastructure Introduction; Regulatory Requirements and Funding Availability Education; Emissions Benefits; and Industry Participation	Matching technology with PG&E fleet requirements; participating on LEV industry boards to ensure coordination and non-duplication of efforts; sharing "learnings" with customers	$1.799
III. PG&E Tariff Availability and Eligibility; and Interconnection Services	Answer customer inquiries regarding applicable LEV-related gas and electric tariffs, including use of off-peak electric rates to minimize peak	$0.340
RD&D		**$1.348**
IV. Small Scale Natural Gas Liquefier Demonstration	Demonstrate INEEL technology to test its ability to safely deliver low-cost liquefied natural gas to PG&E fleet to reduce fleet operation costs. LNG may also be provided, under an experimental rate, to other customers; also, evaluate use of LNG to help reduce gas distribution system costs and avoid	$0.624
V. Small Specialty EV Charging Architecture Development	Support development of common, global charging systems for on-road and off-road EVs	$0.184
VI. Fuel Cell Vehicle Station Demonstration	Provide support for a natural gas-to-hydrogen reformer demonstration by the CA fuel cell partnership to ensure	$0.540

	safety and understand utility-specific system impacts and load management implications for the future	
Technology Application Assessment		**$1.043**
VII. Distribution System Load Impact Assessments	Evaluate EV and NGV load additions to minimize costs to distribution system	$0.550
VIII. Safety Codes and Standards Support	Minimize utility compliance costs and protect utility and customer interests as EV and NGV codes and standards are developed	$0.089
IX. LEV Performance Assessments	Determine actual field performance of LEV technology in PG&E fleet applications to ensure safety and to lower fleet costs; share "learnings" with customers	$0.299
X. Participate in Others' LEV Demonstrations	Gather LEV related performance knowledge through project cost-sharing, to reduce PG&E fleet	$0.105
TOTAL		**$5.026**

3. SCE's Application

According to its chart, SCE appears to seek only $182,160 in discretionary funding, although its request is not at all clear.

Activities Related To:	Utility Role	Alleged Ratepayer Benefit	Budget
Emergency response to EVs	SCE primary source of EV safety information concerning issues related to utility operations.	Safety awareness and emergency preparedness.	$ 27,342
Information Network.	Source for information on utility EV programs including time-of-use rates, etc.	Customer information source for EV load management information, safety hook-ups, etc.	$ 45,540
EV Loan program	Collects EV use profile data and assists in designing load management.	Load management, time-of-use, etc.	$ 36,432
Customer Outreach	Disseminate information to customers and public about EV fleets, rates, load management, etc.	Customer information sources for utility EV load management, safety, energy efficiency, etc.	$ 72,864
TOTAL			$182,160

D. Other Parties' Responses to the Applications

The Commission's Office of Ratepayer Advocates (ORA) protested the IOUs' applications, asking that the Commission discontinue ratepayer funding of LEV activities that are not directly related to utility obligations under various government mandates to purchase, operate and maintain LEVs. Specifically, ORA requests that we discontinue funding for LEV RD&D activities, which it alleges should be covered by existing RD&D funding derived from charges for Public Purpose Programs. It also asks us to discontinue funding for consumer information, education and training activities relating to commercially available LEV products and services.

The Southern California Generation Coalition (SCGC), consisting of the Los Angeles Department of Water and Power, the City of Burbank, the City of Glendale, the City of Pasadena, the Imperial Irrigation District, Williams Energy and Reliant Energy, protested the application of SoCalGas and SDG&E. SCGC recommends that the SoCalGas customer service function be limited to providing safe service to entities that directly fuel NGVs. It also alleges that government agencies or other organizations should provide NGV information to the public, rather than the utility. For NGV RD&D, it claims that ratepayers should not fund these activities because LEV product manufacturers are better suited to do so. Finally, it asserts that utility RD&D activities should be funded through the Natural Gas Public Purpose Program surcharge.

The Western States Petroleum Association (WSPA), a non-profit trade organization representing companies involved in the petroleum industry, protested the application of SoCalGas and SDG&E. WSPA is concerned that the proposed LEV programs exceed the parameters adopted in D.95-11-035 and that additional clarification is needed to fully understand the utilities' customer education and RD&D activities.

Liberty Fuels (Liberty), an equipment developer, opposes the utilities' applications. Liberty claims that the utilities have used ratepayer funds to monopolize the NGV market and that continued funding will provide the utilities with an unfair advantage over the private sector. In support of its allegations, Liberty says that past spending has been inappropriately devoted to lobbying and promotional efforts that are contrary to D. 95-11-035. Additionally, Liberty claims, utility RD&D efforts have been directed toward developing new products that should be undertaken by private companies. As a case in point, Liberty suggests that natural gas compressor manufacturers are better suited to conduct RD&D for such products than the utilities.

The California Energy Commission (CEC), a state agency with an interest in the conservation and/or displacement of petroleum fuels and promotion of fuel diversity, supports the utilities' continued role in expanding the use alternative fuels. Its primary interest is to define the scope and scale of the utilities' LEV programs. In particular, CEC maintains that ratepayer funded RD&D is appropriate to support compliance with the EPAct, although public-private partnerships should be explored.

The California Air Resources Board (CARB), a state agency authorized to adopt regulations intended to meet clean air standards, supports the utilities' applications. CARB claims that the utilities' LEV programs have been and continue to be supportive of the agency's efforts to reduce transportation-related emissions. CARB also states the utilities have provided valuable input into developing guidelines for LEV incentives and promoting the availability of grants. According to CARB, utility training and education activities based on their fleet experience is important in fostering the public's acceptance of zero emission vehicles. Additionally, the utilities' continued participation in CARB's Infrastructure Working Group is important for developing infrastructure standards.

The South Coast Air Quality Management District (SCAQMD), a public agency with air quality regulatory authority over the South Coast Air Basin, supports the utilities' applications. It claims that the proposed utility LEV programs, including public information and RD&D components, are vitally necessary to assist the agency with its expedited implementation of its air quality management plan. SCAQMD also says that utility public information programs help users understand a myriad of governmental certification categories and equipment options. Furthermore, issues related to fuel specifications concerning the agency benefit from utility involvement. Utility participation in SCAQMD's Technology Advancement Office promotes non-duplicative LEV RD&D efforts and certain other enhancements.

CALSTART, an organization that works with industry and government to develop advanced transportation technologies to improve air quality, supports the utilities' applications. CALSTART claims that ratepayer funding is needed for LEV RD&D because manufacturers are unwilling to make investments in this area and there are government spending shortfalls. The group also cites a need for utility involvement in the development of natural gas hybrid electric vehicles.

The Environmental Coalition (Environmental Coalition or Coalition), consisting of the National Resources Defense Council, the Coalition for Clean Air, the Planning and Conservation League, and the American Lung Association of California, supports the utilities' applications. The Coalition disputes the characterization that some elements of the utilities' programs are "discretionary" and claims that all aspects of the IOUs' programs are necessary. According to the Coalition, utility LEV programs benefit ratepayers by playing a key role in improving air quality, sharing LEV related information with customers and promoting safety. In its view, unless these programs are extended, the ratepayers' investment in the utilities' past activities and experience with LEVs would be lost.

E. IOUs' Current Staffs and Fueling Stations

As best we can discern, the IOUs currently have the following staffs handling LEV activities:

- SoCalGas/SDG&E have downsized their staff from 39 to 7 employees.
- PG&E has approximately 10 full time equivalent staff persons (FTEs) performing the customer service function,[21] 3 FTEs in the RD&D area, and 2-1/2 FTEs in the Technology Application Assessment group.[22]
- SCE did not provide relevant information.

The IOUs have the following fueling stations for LEVs:

- SoCalGas has 20 or 21 NGV fueling stations.[23] Fourteen are open to the public. SDG&E has 3 fueling stations.[24]
- PG&E has 22 NGV fueling stations.[25]
- SCE has no NGV fueling stations since it is an electricity-only utility.

[21] 2 RT 238.

[22] 2 RT 239.

[23] 1 RT 50, 73.

[24] 1 RT 60.

[25] 1 RT 144.

3. Discussion

A. Introduction

It is axiomatic that improved air quality is a societal benefit. We support the goal, but the question before us is not whether we should endorse better air quality, but whether utility ratepayers should bear the cost of their LEV programs. We stated in D.95-11-035 that "we cannot approve . . . utility programs solely because they may help improve air quality. . . ."[26] The IOUs bear the burden of proving that their programs meet the criteria we have adopted in our LEV decisions.

We do not believe the test for continued funding of the IOUs' discretionary programs should depend on whether the market is mature and self-sustaining, because it is not clear that the market will ever reach this level. Nor is it at all clear that IOU spending has moved the market forward. Each of the IOUs claims that the market is far from mature, in an attempt to justify funding, but none explain how continued IOU funding will cause the market to be self-sustaining. We are not prepared to continue to fund IOU programs in this area indefinitely, especially given the serious problems we outline in this decision.

The IOUs have funded programs that violate the guidelines set forth in relevant Commission decisions. They have in many cases failed to show that proposals for future funding do anything more than subsidize, with ratepayer dollars, activities that the market or government regulators should fund.

[26] 1995 Cal. PUC LEXIS 978, at *91.

The IOUs' applications also suffer consistently from a lack of detail. One struggles to determine how they are spending LEV dollars, and the ratepayer benefits of such expenditures. The overall impression their applications leave is that they are stretching to explain how their spending is in the ratepayers' interest. The IOUs bear the burden of proving that we should continue to fund their programs, and we find that in several instances they have failed to meet their burden of proof.

B. Activities Disallowed in D.95-11-035

We find that the IOUs engage in and propose to continue certain activities that our prior decisions have expressly disallowed. We list them here to demonstrate why we believe IOU funding should continue only for one additional year, be subject to stricter reporting requirements, and be narrowed to exclude disallowed activities.

1. Technology Development for Commercial Use

(a) INEEL Program

The IOUs have spent ratepayer R&D funds on products intended for commercial use, in contravention of D.95-11-035. PG&E requests $624,000 to support its development, in conjunction with DOE laboratory INEEL, of a natural gas liquefier demonstration project. We deny this request. PG&E has already spent between $1.6 and $2.1 million on this project to date. SoCalGas has spent $1 million on the project, although it plans to expend no additional funds until "the demonstration unit is up and operational."[27]

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[27] 1 RT 88-89.

The evidence demonstrates that the INEEL project is aimed at developing a liquefied natural gas product for commercial use. SoCalGas' witness stated that "the liquefier . . . is a technology that will hopefully . . . come to the market . . . ."[28] PG&E prepared a draft business plan for commercial development of the natural gas liquefier.[29] PG&E intended the product for commercial development; according to its witness, "We think ultimately some product developer, commercialization partner that INEEL will choose will bring a product to market complete with all of the bells and whistles that products have to have to be successful in the market."[30]

Furthermore, PG&E has an agreement with INEEL providing for revenues from commercialization of the liquefier to accrue to ratepayers.[31] PG&E picked the INEEL technology and rejected others because, among other things, none of the latter "offered substantial evidence that they had a clear path to commercialization ...."[32] PG&E also "sp[oke] to the commercialization potential of the technology in its response to the [California Energy Commission's] request for proposals to join the INEEL project."[33]

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[28] 1 RT 97.

[29] 2 RT 170-71. The PG&E employee who developed the draft business plan had never done so before for any other product, so such plans were not routine. 4 RT 518.

[30] 2 RT 169.

[31] 4 RT 464-65.

[32] 4 RT 466.

[33] 4 RT 471.

While the IOUs claim their role in the liquefier project was not for purposes of commercialization, even one of the supporters of their programs disagreed, characterizing IOU programs "as an essential component of the process of innovation inherent in the commercialization of alternative fuel technology."[34]

While this sort of project may be worthwhile, it runs counter to D.95-11-035's prohibition on activities designed to lead directly to the development of new commercial products. As we stated in that decision, "Their development should be supported by the firms that could profit from their commercialization."[35] Here, the evidence supports the conclusion that the project runs afoul of the foregoing prohibition.

Furthermore, "the use of regulated monopoly funds for the development of a private business in this emerging market raises the potential for unfair competition."[36] For example, in D.95-11-035, we ordered the utilities to divest themselves of any fuel stations not built on their own land to support their own fleets, due in large part to concerns that such stations would compete unfairly with third parties "interested in competing in the market for the construction and operation of refueling stations at customer or other private

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34 Testimony of Paul Wuebben for SCAQMD (Exh. 1000), at 12.

35 D.95-11-035, 1995 Cal. PUC LEXIS 978, at *126.

36 *Id.* at *140-41.

sites."[37] The liquefier competes with other products in the market,[38] giving us concern that ratepayer funds are unfairly subsidizing a competitive product.

In addition, PG&E is charging a below-cost rate related to the liquefier project, further raising concerns that it is competing unfairly. PG&E has received Commission approval of an experimental liquefied natural gas (LNG) rate, in which it proposes to charge a "liquefaction fee" to LNG retailers.[39] However, the tariffed rate is not cost based; for example, it does not recoup PG&E's research costs: "We are unusual in the regulated utility that our budget for this project is ratepayer provided. So to turn around and charge ratepayers again for the cost of our research project in [the tariffed] price isn't fair."[40] PG&E set the tariff price to recover a capital cost of $630,000[41] even though it spent far more than this ($1.6 to $2.1 million) on the demonstration project.[42] This below-cost rate is evidence that PG&E is using LEV funding to compete unfairly with nonutility enterprises or interferes with the development of a competitive market.[43]

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37 *Id.* at *124-25.

38 2 RT 171.

39 2 RT 233-34.

40 4 RT 483.

41 4 RT 481.

42 4 RT483.

43 D.03-07-054, 1993 Cal. PUC LEXIS 574, at *15.

Past spending in this area is inappropriate for the same reasons. SoCalGas' witness stated that his company has spent $1 million to date on the INEEL liquefier demonstration,[44] and PG&E has spent between $1.6 and $2.1 million to date.[45] PG&E did not apply to the Commission to fund the INEEL project.[46] Rather, it shifted funds allocated to other RD&D to this project, relying on D.95-11-035's provision allowing fund shifting.[47] The IOUs shall make the balancing accounts whole with shareholder funds.

(b) California Fuel Cell Partnership

The California Fuel Cell Partnership, for which PG&E requests $540,000, presents similar concerns about whether the IOUs' activities are in the ratepayers' interest. The partnership includes automobile manufacturers who have installed several sites (three currently, with the plan to expand by three more) to house their prototype demonstration vehicles.

According to PG&E's witness, the auto manufacturers have asked "infrastructure providers" to provide fuel for those vehicles and other testing. They have asked PG&E to participate in the form of providing a host site for the manufacturer's prototype.[48] PG&E claims the benefit is that it "get[s] to see the performance of the equipment, check on the reliability, operating costs,

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[44] 1 RT 89.

[45] 4 RT 432-64.

[46] 4 RT 470.

[47] *Id.*

[48] 4 RT 532-33.

maintenance costs. [PG&E] analyze[s] that and provides that to [its] customers."[49]

This aspect of the project has no ratepayer benefit that we can discern. PG&E's analysis of prototypes for its customers – who we show elsewhere to be almost exclusively fleet customers – does not further the goals of safety, reliability or less costly gas or electric service. Rather, this service gives fleet purchasers free services that they otherwise would have to pay for. Nor does hosting an auto manufacturer's demonstration site help anyone but the manufacturers.

Finally, PG&E claims that the project is "mostly targeted at managing the impact of a coming load." However, as we discuss in the section entitled "Load Balancing," we believe the IOUs overstate the need for funding to determine the impact of new LEVs on load. Thus, we disallow this funding.

2. Marketing

The IOUs are also prohibited from using ratepayer dollars to market LEV programs. For example, in D.95-11-035, we declined to fund marketing research designed to identify potential markets for NGVs by use of surveys to determine preferences and attitudes, stating that such programs were "clearly marketing or promotional efforts by [the IOU] that do not carry direct benefits for ratepayers in terms of greater safety or reliability."[50] As we stated in that

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[49] *Id.*

[50] 1995 Cal. PUC LEXIS 978, at *134.

decision, "There is no direct ratepayer interest in having the utility encourage others to use less-polluting vehicles."[51]

Despite this ban, SoCalGas' witness admitted that the company uses ratepayer funding to promote the use of natural gas over other fuels:

> Q. Do you tell them about the advantages of natural gas over other fuels?
>
> A. We certainly do; and we certainly make that statement then in all other markets: residential earnings [sic] commercial, industrial, cogeneration.
>
> Q. And, then, so you're an advocate in that sense for natural gas?
>
> A. I think from the standpoint of The Gas Company, yes, we are.[52]

PG&E's witness also acknowledged that PG&E conducted two marketing studies related to LNG, and participated in a third study with CALSTART.[53]

Such market activities are disallowed. We do not believe that IOU participation at trade shows, in LEV loaner programs, on industry boards and committees, and in other activities designed to promote use of LEVs, further the ratepayers' interest, and decline all funding requests for such activities.

C. Other Compliance Problems

There are other ways in which the IOUs do not appear to be in full compliance with Commission rules and statutory requirements for LEV programs.

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[51] *Id.* at *132.

[52] 1 RT 57-58, 88.

[53] 2 RT 175.

1. Limits on Duplicative Programs

To ensure ratepayer funding of LEVs does not duplicate other expenditures, D.93-07-054 obligated the IOUs to demonstrate that they had reviewed programs of the motor vehicle industry, state, regional and local agencies, other utilities, and state and national electric and natural gas LEV research groups to ensure their programs did not unnecessarily duplicate and were complementary with the programs of these entities.[54]

Given the IOUs' obligation to ensure their programs are not duplicative, we are concerned, for example, that PG&E's witness was not familiar with several LEV programs. He explained he was only "vaguely" familiar with the California Energy Commission's programs for alternative fuels, and was not familiar with any specific R&D CALSTART has done.[55]

Several witnesses associated with government and nonprofit LEV programs testified that the IOU programs are necessary. However, many of the witnesses could not identify specific ratepayer benefits from the IOU programs that did not extend to the broader population as a whole. For example, the SCAQMD witness equated the ratepayer benefits from improved air quality with those of the broader population[56] and could not differentiate between ratepayer and nonratepayer health benefits.[57]

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[54] 1993 Cal. PUC LEXIS 574, at *30.

[55] 1 RT 129-30.

[56] 2 RT 186.

[57] 2 RT 188. *See also* Testimony of Paul Wuebben for SCAQMD (Exh. 1000), at 11 (equating ratepayers with entire population).

Similarly, CARB claimed that the utilities' LEV programs have been and continue to be supportive of the agency's efforts to reduce transportation-related emissions, a societal benefit, but not one that necessarily benefits ratepayers. In particular, CARB claimed, the utilities have provided valuable input into developing guidelines for LEV incentives and promoting the availability of grants. However, we have never funded LEV incentives; indeed, the IOUs withdrew their requests for such incentives in their 1995 funding requests, and we expressly disallowed rebates in D.95-11-035.[58] Further, as we discuss below, we do not believe informing fleet owners of available grants produces ratepayer benefits.

Indeed, SCE's and PG&E's own expert report on the market for LEVs comments acknowledges that the utilities' services are not truly unique: "*Although utilities participate in many of the same or similar activities as other organizations,* their focus is providing service to their customers, whereas other stakeholders have different objectives."[59] As we discuss below, the customers at whom the IOUs' efforts are primarily aimed – fleet owners – are not the appropriate subjects of ratepayer subsidies. Thus, the "unique" aspect of IOU programs, as reported by SCE's and PG&E's expert, is not one eligible for ratepayer funding.

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[58] D.95-11-035, 1995 Cal. PUC LEXIS 978 at *53-58 (incentives) & *127-29 (disallowing rebates).

[59] *Report on the Electric Vehicle Markets, Education, RD&D and the California Utilities' LEV Programs*, March 22, 2002 (Exh. 100), at 4-1.

Moreover, it is to be expected that government and nonprofit programs that operate in the LEV area would support continued IOU funding, since the market is so small and funding so scarce. All parties supporting the continued funding have legitimate interests in promoting better air quality. It would be surprising if they were to step up and advocate the loss of nearly $10 million in funding for a goal to which they are deeply committed. As the SCGC's witness put it, "[I]t may be a chicken-or-egg question; that as long as the utility programs are there, the market is not going to step up to the problem."[60]

2. Sharing of IOU "Learnings" With Customers

Each IOU seeks funding to pass on to customers key "learnings"[61] it has obtained in its role as a fleet purchaser and user. This function involves gathering literature about LEVs, maintaining a website, attending trade shows and conferences, participation in industry boards and committees, and fielding customer inquiries.

The record shows that this "customer service" function primarily involves maintaining customer service staffs to field contacts from potential fleet purchasers.[62] As PG&E's witness explained, "Primarily the audience [targeted by the customer education funds] is targeted fleets that we work with, but on occasion we will distribute it to customers who ask for it that may not be

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[60] 3 RT 334.

[61] *See, e.g., PG&E's Opening Brief* at 8.

[62] 1 RT 125 (Stone/PG&E).

represented by fleets."[63] Indeed, the key reason why PG&E's program does not duplicate other programs, according to the witness, is that PG&E "deal[s] with one-on-one fleet inquiries."[64]

Mr. Eaves, witness for SoCalGas / SDG&E, explained that his company gets calls on a daily basis from customers seeking to determine whether they are bound by federal EPAct regulations or various air quality management district fleet rules.[65] These staffs, among other things, tell callers of the utility's experience with its own fleet, furnish callers lists of LEV-related vendors[66] and written information on new products,[67] and provide free grant-writing assistance to third parties seeking to obtain grants and other incentives for LEV purchases.[68]

Even some third party agencies supporting continuing IOU funding could not identify IOU functions not targeted at potential fleet buyers. For example, the SCAQMD witness supported IOU customer education efforts because they reinforce the District's fleet rules.[69]

While SoCalGas / SDG&E and the Environmental Coalition claimed that the IOUs "are usually the first point of contact for anyone considering investing

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[63] 1 RT 125.

[64] 1 RT 126 (Stone / PG&E).

[65] 1 RT 44.

[66] 1 RT 80 (Eaves / SoCalGas-SDG&E); 1 RT 125 (Stone / PG&E).

[67] 1 RT 113 (Stone / PG&E).

[68] 2 RT 212, 214 (PG&E / Stone).

[69] 2 RT 186.

in LEVs,"[70] no party introduced evidence showing that it had polled other obvious sources of LEV information such as automakers to determine if the assertion was correct.

Ratepayers should not subsidize utility actions to educate these potential fleet purchasers. Potential purchasers of LEV fleet vehicles include school bus operators, transit districts, government entities, garbage companies, shared-ride shuttle operators, utilities and taxicab companies who generally are acting in response to statutory or air quality management district requirements.[71] If PG&E's experience is any indication, 95% of the NGV vehicles are fleet vehicles, and only 5% (in PG&E's case, 196 vehicles) are privately owned.[72] Thus, the customer demand derives from those who own – or are required to procure – LEV fleets.

As SCGC's witness testified, "The ratepayers don't necessarily have to subsidize their [fleet managers'] budget constraints."[73] These entities should be able to hire consultants to evaluate the LEV market, give them recommendations on their fleet purchases and assist them with grant writing. Indeed, SoCalGas and SDG&E acknowledge that there is "a growing number of consultants in the market that provide information and services for a fee."[74] Even if fleet

[70] Testimony of Roland Hwang for the Environmental Coalition (Exh. 700), at 18.

[71] *See, e.g.*, Testimony of John Boesel on behalf of CALSTART, Inc. (Exh. 800), at 2-3.

[72] 2 RT 221.

[73] 3 RT 333.

[74] *Joint Amended Application of SoCalGas and SDG&E*, at 47.

purchasers cannot pay for their own consultants, the alternative is not to subsidize their business needs with ratepayer dollars. As we stated in D.95-11-035, "There is no direct ratepayer interest in having the utility encourage others to use less-polluting vehicles."[75]

We also explained in D.95-11-035 that it is not appropriate for ratepayers to fund activities that help individual LEV purchasers. There, SDG&E proposed ratepayer subsidies for time-of-use meters and electric vehicle charging equipment on the ground that such subsidies "overcome the installation cost barrier." We explained that, "while this is a result which may be beneficial to the vehicle purchasers, this argument does not establish a ratepayer benefit, as required by § 740.8 and the [Commission's] first guideline [requiring that ratepayer-funded LEV programs support reliable and efficient utility service]."[76] Thus, it is incorrect that benefits to individual vehicle purchasers – in this case, purchasers of fleet vehicles – are equivalent to ratepayer benefits that meet the § 740.8 definition, and ratepayers should not subsidize individual fleet purchasers.

The IOUs claim that the ratepayers have funded IOU fleet purchases to date, and that it is best that the utilities share their "learnings" with third parties rather than keeping them under lock and key solely for the utilities' own benefit. This argument has surface appeal, since it makes sense that if ratepayers fund utility education, they should reap the benefits of that funding. However, what

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[75] 1995 Cal. PUC LEXIS 978, at *132.

[76] *Id.* at *38.

the IOUs are suggesting is that that they will not share their "learnings" with third parties unless ratepayers *continue to fund* IOU customer education activities. This argument assumes perpetual ratepayer funding of IOU programs, something we expressly disallowed in D.95-11-035.

We believe the IOUs should share what they have learned regardless of whether we continue to fund their LEV programs. We do not, however, believe ratepayers should perpetually fund activities we find of questionable ratepayer benefit solely to ensure that the IOUs continue to "unlock" their "learnings."

We are also concerned whether the information the IOUs furnish customers is useful or unique. PG&E's witness, for example, was asked to describe a typical scenario customer request for information:

> Most of the time they will come to us, if it is a natural gas vehicle or electric vehicle, they will come to us: What do you know? What do you have? Have you heard anything? To the extent we know, we will share; to the extent that manufacturers have provided product literature about a particular product, we will provide that. To the extent that we have gleaned information and put that in a fact sheet of some sort, we will provide the information to them.[77]

The process of gathering and disseminating information to customers appears almost haphazard. Moreover, the California Air Resources Board is already implementing a "comprehensive public education and outreach program. Activities include the development of literature and websites; conducting vehicle loan and demonstration programs; participating in public events like fairs, trade shows and conferences; and conducting outreach events at

[77] 1 RT 114-15 (Stone/PG&E).

college campuses."[78] The existence of this comprehensive program undermines the IOUs' claims that their customer education program is unique and non-duplicative, except perhaps as to fleet customers, whom we do not believe ratepayers should subsidize.

PG&E's witness also acknowledged that the company informs customers of the availability of used LEVs[79] even though we expressly disallowed such activity in D.95-11-035: "The sale of used natural gas vehicles (NGVs) should be developed by the market without ratepayer funding."[80]

Thus, we disallow the IOUs' requests for customer education funding, except to the extent such education relates directly to the safety activities we discuss below.

D. Activities Allowed in D.95-11-035, But Overbudgeted

1. Programs That Enhance Safety

We have always supported LEV funding designed to enhance ratepayer safety, but not everything that could conceivably be linked to safety is eligible for funding. For example, we held in D.95-11-035 that it does not further ratepayer interest "to promote 'a concept, that [LEVs] are safe, reliable and efficient.'"[81]

The IOUs use funds to educate customers on how to fuel and charge their vehicles safely, and we agree that this activity on its face meets the

[78] Testimony of CARB's Analisa Bevan (Exh. 1200), at 4.

[79] 1 RT 116-17.

[80] 1995 Cal. PUC LEXIS 978, at *135.

[81] D.95-11-035, 1995 Cal. PUC LEXIS 978, at *132.

requirement that LEV funding enhance customer safety. However, even in this area, we question how much funding the IOUs need. For example, while SoCalGas' witness testified that local fire marshals require that all users of compressed natural gas (CNG) stations that are open to be public be trained to use them, he conceded that the IOU need not provide this training: "They could be trained by the manufacturer of the station."[82]

The IOUs' training of its own employees on safe fueling and charging techniques is part of the mandatory LEV budget and not at issue here.[83] What remains is training of non-IOU personnel who use IOU-owned public access fueling stations or who charge their own EVs.

It is not clear to us that this training effort should involve a significant outlay of funds. PG&E and SoCalGas appear to have no more than 20-25 natural gas fueling stations each, only a subset of which are public access stations. It does not appear that the IOUs staff any of these stations with attendants. Therefore, the entire natural gas training exercise appears to be limited to educating a small number of public users at a small number of unattended fueling stations. We presume such education consists of written instructions at the station. Given the tiny number of EVs on California's roads – 2,300 battery-charged EVs according to CARB statistics – we do not believe that safe charging education involves a great outlay of funds either.

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[82] 1 RT 78. The witness also acknowledged that SoCalGas has no obligation to train users of fueling stations owned by third parties rather than the IOUs. *Id.*

[83] SCE acknowledges this point. SCE Opening Brief at 6-7.

> CALSTART's president acknowledged that while there were some issues about safety early on, and PG&E and SoCalGas and others worked with the National Gas Research Institute to really try to address that safety issue . . . , there haven't been any instances in the past couple of years, and that has I think really made it more possible for institutions like the South Coast Air Quality Management District to then mandate the use of natural gas and say . . . that . . . this technology is now safe enough for us to require that fleets use that.[84]

SoCalGas also acknowledges that NGV fueling is now safe, with no injuries associated with millions of vehicle fueling events.[85]

Thus, while we support ratepayer funding of safety activity, the efforts the IOUs make do not justify the budgets they are requesting. We will halve each IOU's request. PG&E seeks $496,000 and shall receive $248,000. Because SoCalGas/SDG&E and SCE did not break out their budget requests to show safety-related functions, they failed to meet their burden of proving that their programs relate to an approved goal, and therefore we deny their requests for customer education funding. If these IOUs can clarify their funding requests, we will treat them similarly to PG&E.

2. Programs That Enhance Reliability – Load Balancing

Much of the IOU funding directed at ensuring "reliable" service focuses on assessment of the load impacts of electric LEVs. However, SCE's witness conceded that the company already knows how to manage the load successfully

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[84] 2 RT 203-04.

[85] SoCalGas/SDG&E Opening Brief, at 11.

because it has been doing so for 6 years.[86] PG&E also acknowledges that the impact of LEVs on the electric grid is minimal:

> Even if all light duty EVs statewide were charging from the grid at the same time, the total current EV load would be about 4.6 MW [megawatts], or less than one-thousandth of the average load during a summer day. Plus, electric vehicles are encouraged through special rates to recharge off-peak. . . . Given that total electricity usage for California is 260 billion kWh [kilowatt hours], light duty EV usage currently comprises only 0.0006% of that total. . . . The additional power demand from other EVs such as buses, trolleys and non-road vehicles is similarly comparatively miniscule.[87]

We were also struck by how little information the IOUs furnished about how they spend ratepayer funding to assess load impacts. We are concerned that the IOUs are attempting to shoehorn activities into this category, even if their linkage to load management is tenuous. For example, the Environmental Coalition, which supports the IOUs' applications, appears to categorize all efforts at "infrastructure development, vehicle technology evaluation and strategic planning"[88] as activity "critical to the safe and reliable operation of the natural gas and electric grids."[89]

We do not believe the IOUs' reliability obligations can be construed to include everything they do to promote infrastructure development or evaluate

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[86] 2 RT 162.

[87] *PG&E Application*, filed March 25, 2002, at 9-10 (emphasis added).

[88] Hwang Testimony (Exh. 700), at 19.

[89] *Id.*

new technology. If IOU funding in this area is to continue, the linkage between IOUs' obligation to enhance grid safety and reliability must be far clearer. As things stand, we find the IOUs have failed to justify their reliability-related requests.

E. Other Funding Requests

Finally, many of the IOU funding requests contain little or no justification based on the § 740.8 requirements of safer, more reliable or less costly gas or electric service. We simply cannot tell as to these requests what the funding covers or how it relates to these required goals. As to each of these items, we disallow the funding on the ground the IOU has failed to meet its burden of proof. We reflect these disallowed items in the tables in Section H of this decision.

F. Other Parties' Support for Ratepayer Funding

While several parties support continued ratepayer funding of LEV programs, few of them cited reasons for funding that meet statutory and Commission mandates.

1. CALSTART

None of the purposes CALSTART cites for continuing to fund IOU programs benefits ratepayers. CALSTART first states that LEVs have been "underfunded at all levels of government" and that "[e]very dollar that a utility can bring to the table to support LEV-related RD&D will help move this industry forward."[90] However, ratepayers should not subsidize projects simply because government cannot afford them.

CALSTART's second rationale – that "utilities have been very successful at using their funds to attract government RD&D funds"[91] – is not a ratepayer benefit either. If the funded projects do not produce ratepayer benefits in the form of safer, more reliable or less costly gas or electrical service, it makes no difference that these funds encourage other investment.

CALSTART's third "benefit" – that IOU programs help major fleet customers[92] – assumes that ratepayers should subsidize large fleet customers. We do not agree with this premise, as we have said elsewhere in this decision.

Nor is it clear how ratepayers benefit if "[t]he utilities, combining with vehicle manufacturers and government funding sources … facilitat[e] the development of clean off-road vehicles," "heavy-duty on-road vehicles" or "natural gas hybrid electric vehicles."[93] While development of such vehicles may well help solve air quality problems or help truck and bus manufacturers meet environmental regulations, as the witness points out, such purposes do not meet our definition of ratepayer interest.

Indeed, CALSTART, which since 1992 has "launched over $150 million dollars in [advanced transportation] technology … [RD&D] programs" with

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[90] Boesel Testimony (Exh. 800), at 5-6.

[91] *Id.* at 6.

[92] *Id.*

[93] *Id.* at 7.

"funding from over 20 different government agencies" and includes among its participants General Motors, Volvo and Michelin,[94] seems a far better sponsor of such research than captive utility ratepayers.

2. SCAQMD

Nor do we understand why ratepayers should fund several programs advocated by the SCAQMD. It claims utilities are well situated to inform consumers which types of LEVs may use carpool lanes, and to create a "common database" of vehicle information listing available vehicles from Ford, Caterpillar, Mack, Deere and other large vehicle manufacturers.[95] Neither program produces safer, more reliable or less costly gas or electric service.

Moreover, SCAQMD acknowledges that IOU programs benefit fleet users and indirectly "the state as a whole. . . ."[96] We have already demonstrated that ratepayers should not subsidize fleet users by providing them free information, and that benefits that accrue to the population at large do not benefit ratepayers in particular.

In addition, ratepayers should not pick up the slack caused because "corporate R&D outside the utility programs has dwindled substantially in the face of budgetary challenges nationally,"[97] as the SCAQMD suggests. Indeed, if we were to act consistently with the trend, we would decrease or eliminate IOU

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[94] *Id.* at 10.

[95] Testimony of Paul Wuebben for SCAQMD (Exh. 1000) at 4-5.

[96] *Id.* at 6.

[97] Wuebben Testimony (Exh. 1000), at 9.

LEV funding, just as corporations have decreased their funding of LEV programs.

Nor is it the ratepayers' job to "assist the [SCAQMD] in helping implement [its] rules for clean fleet vehicles."[98] Even if the SCAQMD lacks the budget to enforce its rules, captive ratepayers should not make up the shortfall.

3. CEC

The CEC's support for IOU LEV programs is based in part on its interest in having IOUs fund public access fueling stations and EV charging stations.[99] However, since D.95-11-035 required IOUs to divest all non-utility stations because of their potential for anticompetitive impacts, we do not believe that using ratepayer dollars to expand on the IOUs' public access station base is a proper use of ratepayer funding.

The other IOU program the CEC advocates – "R&D intended to support expanded use of alternative fuels in EPAct covered fleets"[100] – cites PG&E's INEEL project. However, as we illustrate above, such programs run afoul of D.95-11-035's prohibition on ratepayer funding of products intended for commercial development.

In fact, the CEC urges this Commission to consider non-IOU-ratepayer sources for funding LEV programs. It suggests that the Commission consider public-private partnerships to fund transportation energy R&D in this

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98 *Id.* at 11-12.

99 Testimony of CEC's Susan J. Brown at 3 (Exh. 1101).

100 *Id.* at 4.

proceeding, and urges promotion of non-fiscal incentives to promote LEV programs such as allowing LEVs to use carpool lanes with or without passengers.[101] While such programs are beyond the scope of this proceeding, the CEC's position illustrates that, contrary to the IOU's claims, there are other sources of LEV funding besides IOU ratepayers.

G. Other Issues

1. Change in Funding Source

SCGC urges us to change the funding source for natural gas LEV programs from the dedicated funds collected from ratepayers and accounted for in a one-way balancing account, to the Natural Gas Surcharge, a public goods charge embodied in Pub. Util. Code § 890. That statute, enacted in 2000, provides, in relevant part, for a ratepayer surcharge to fund "cost-effective energy efficiency and conservation activities and pubic interest research and development authorized by Section 740 not adequately provided by the competitive and regulated markets." SCGC claims that LEV programs in part fit the "public interest research and development authorized by Section 740" category.

SCGC may be correct that such programs meet the statutory standard, which provides essentially for R&D that "provides a reasonable probability of providing benefits to ratepayers" and supports objectives such as environmental improvement, public and employee safety and conservation.[102] ORA, for

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[101] *Id.* at 5.

[102] Pub. Util. Code § 740.1(a) & (e)(1), (2) & (3).

example, claims that IOU RD&D related to LEVs should be paid for out of existing RD&D funding derived from charges for public purpose programs. (ORA also asks us to discontinue funding for consumer information, and education and training activities related to commercially available LEV products and services.)

It is no coincidence that SCGC's members do not currently pay the § 890 Natural Gas Surcharge, and would benefit financially if we were to change the funding source for RD&D LEV funding. We do not believe the statute requires us to make this change, however, or that we are precluded from funding LEV-related RD&D from sources other than Public Purpose Program funding. Given that we are curtailing the RD&D funding substantially, and only allowing funding for another year, we will leave the funding stream as is.

2. Utility Proposals to Incorporate LEV Programs into Other Proceedings

The IOUs generally favor abolishing separate review of LEV programs in proceedings such as this one, and support moving up-front review of funding to their respective GRCs or cost-of-service proceedings. While we have moved the mandatory aspects of their LEV programs to the GRCs, we do not believe that we should consider the discretionary LEV programs in that forum. PG&E justifies its request on the ground that its programs have developed and grown more integrally related to PG&E's traditional utility functions.[103]

However, we never intended ratepayer-funded LEV programs to be permanent or become part of the IOUs' entrenched operations:

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[103] PG&E Opening Brief at 2.

> [O]ur intent at the time we issued the current authorization was to fund the utilities' programs for a set period of time *with the expectation that at some point further subsidization of the LEV market by utility ratepayers would not be warranted.* As stated in Findings of Fact No. 3 in D.93-07-054, "It is not clear how long a utility presence is needed to provide a bridge to a sustainable competitive market for LEVs."[104]

Indeed, SoCalGas and SDG&E recognized that ratepayer funding was not a guarantee:

> We do not believe the utility's role needs to be ratepayer funded up to the full point of sustainability….[105]

We decline to move LEV discretionary funding into the IOUs' GRCs or cost of service proceedings, especially given our concerns with how the utilities are spending ratepayer dollars, our limited one-year funding authorization, and our quarterly reporting requirement.

H. Allowed Funding

In summary, we allow each IOU the following discretionary LEV funding for the period of one year from the effective date of this decision.

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[104] Resolution G-3322, Jan. 23, 2002, at 9, available at http://www.cpuc.ca.gov/PUBLISHED/FINAL_RESOLUTION/12757.htm (emphasis added).

[105] *SoCalGas/SDG&E Application* at 52.

SoCalGas			
Item	**Requested Funding (annual)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Customer information, education and training	$1,100,000	Disallowed (exception: safety if IOU clarifies request)	Failure to meet burden of proof: no link to safety, reliability, less costly service
NGV R&D	$935,000	Disallowed	Failure to meet burden of proof: no link to safety, reliability, less costly service
Subtotal SoCalGas	$2,035,000		
SDG&E			
NGV customer information program	$450,000	Disallowed (exception: safety if IOU clarifies request)	Failure to meet burden of proof: no link to safety, reliability, less costly service
EV customer information program	$439,000	Disallowed (exception: safety if IOU clarifies request)	Failure to meet burden of proof: no link to safety, reliability, less costly service

Subtotal SDG&E	$889,000		
Total SoCalGas / SDG&E	$2,924,000		

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Customer Education		**$2.635**		
XI. LEV Vehicle Safety and Infrastructure Training	Fueling, Vehicle, and Infrastructure Safety training for PG&E employees as well as outside fleet operators and individuals	$0.496	$248,000 allowed; remainder disallowed	PG&E employee training part of mandatory; failure to prove linkage to safety
XII. LEV Technology and Infrastructure Introduction; Regulatory Requirements and Funding Availability Education; Emissions Benefits; and Industry Participation	Matching technology with PG&E fleet requirements; participating on LEV industry boards to ensure coordination and non-duplication of efforts; sharing "learnings" with customers	$1.799	Disallowed	Ratepayers should not subsidize fleet customers

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
XIII. PG&E Tariff Availability and Eligibility; and Inter-connection Services	Answer customer inquiries regarding applicable LEV-related gas and electric tariffs, including use of off-peak electric rates to minimize peak	$0.340	Allowed	
RD&D		**$1.348**		
XIV. Small Scale Natural Gas Liquefier Demonstra-tion	Demonstrate INEEL technology to test its ability to safely deliver low-cost liquefied natural gas to PG&E fleet to reduce fleet operation costs. LNG may also be provided, under an experimental rate, to other customers; also, evaluate use of LNG to help reduce gas distribution system costs	$0.624	Disallowed	Commercial product
XV. Small Specialty EV Charging Architecture Development	Support development of common, global charging systems for on-road and off-road EVs	$0.184	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
XVI. Fuel Cell Vehicle Station Demonstration	Provide support for a natural gas-to-hydrogen reformer demonstration by the CA fuel cell partnership to ensure safety and understand utility-specific system impacts and load management implications for the future	$0.540	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service
Technology Application Assessment		**$1.043**		
XVII. Distribution System Load Impact Assessments	Evaluate EV and NGV load additions to minimize costs to distribution system	$0.550	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service
XVIII. Safety Codes and Standards Support	Minimize utility compliance costs and protect utility and customer interests as EV and NGV codes and standards are developed	$0.089	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
XIX. LEV Performance Assessments	Determine actual field performance of LEV technology in PG&E fleet applications to ensure safety and to lower fleet costs; share "learnings" with customers	$0.299	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service; ratepayers should not subsidize fleet customers
XX. Participate in Others' LEV Demonstra-tions	Gather LEV related performance knowledge through project cost-sharing, to reduce PG&E fleet	$0.105	Allowed	
TOTAL		**$5.026**		

SCE					
Activities Related To:	**Utility Role**	**Ratepayer Benefit**	**Budget**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Emergency response to Evs	SCE primary source of EV safety information concerning issues related to utility operations.	Safety awareness and emergency preparedness.	$27,342	Allowed	
Information Network.	Source for information on utility EV programs including time-of-use rates, etc.	Customer information source for EV load management information, safety hook-ups, etc.	$45,540	Allowed	
EV Loan program	Collects EV use profile data and assists in designing load management.	Load management, time-of-use, etc.	$36,432	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service
Customer Outreach	Disseminate information to customers and public about EV fleets, rates, load management, etc.	Customer information sources for utility EV load management, safety, energy efficiency, etc.	$72,864	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service
TOTAL			$182,160		

The IOUs are prohibited from using this funding in the areas we have disallowed, as follows:

- The INEEL liquefied natural gas project, the California Fuel Cell Partnership, or other RD&D programs aimed at commercialization.
- Marketing of LEV products, including the type of activities we describe in the section entitled "Marketing," above.
- Sharing of IOU "learnings" with fleet customers, including the type of activities we describe in the section entitled "Sharing of IOU 'Learnings' With Customers," above. (Exception: necessary safety programs.
- Programs that duplicate efforts of other industry players, including the type of activities we describe in the section entitled "Limits on Duplicative Activities," above.
- Activities related to customer incentives or rebates for purchasing LEV equipment.
- Any other activity for which the IOUs have failed to meet their burden of proving a linkage to safety, reliability or less costly gas or electric service.

4. Reporting Requirements

Commencing 90 days from the effective date of this decision, and continuing every 90 days thereafter, the IOUs shall file and serve the IOU Low Emission Vehicle (LEV) Programs Quarterly Report, attached hereto as Appendix A, covering the previous 90-day period of program activity. The Quarterly Report requires that the IOUs identify how each program activity relates to safety, reliability or less costly gas or electric service, report on how many people were served, submit program materials, and otherwise establish that they are meeting the requirements of D.95-11-035 and this decision.

As we note above, the IOUs should be aware that we are unlikely to continue funding these programs after the year is over unless they make a far better showing than they have to date.

5. Comments on Proposed Decision

The proposed decision of the Principal Hearing Officer in this matter was mailed to the parties in accordance with Section 311(d) of the Public Utilities Code and Rule 77.1 of the Rules of Practice and Procedure. Comments were filed on ____________, and reply comments were filed on _________.

6. Assignment of Proceeding

Carl Wood is the Assigned Commissioner and Myra Prestidge is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The market for LEVs is quite small.

2. The IOUs have the following fueling stations for LEVs, only a subset of which are public access stations:

- SoCalGas has 20 or 21 NGV fueling stations. Fourteen are open to the public. SDG&E has 3 fueling stations.
- PG&E has 22 NGV fueling stations.
- SCE has no NGV fueling stations since it is an electricity-only utility.

3. The IOUs' applications suffer consistently from a lack of detail. One struggles to determine how they are spending LEV dollars, and the ratepayer benefits of such expenditures.

4. The INEEL project, in which PG&E and SoCalGas have participated (and PG&E proposes to participate in the future), is aimed at developing a liquefied natural gas product for commercial use.

5. PG&E has already spent between $1.6 and $2.1 million on the INEEL project to date, and SoCalGas has spent approximately $1 million on the project.

6. The INEEL liquefier competes with other products in the market.

7. PG&E is charging a below-cost rate related to the INEEL liquefier project.

8. The California Fuel Cell Partnership, for which PG&E requests $540,000, gives fleet purchasers free services that they otherwise would have to pay for.

9. SoCalGas uses ratepayer funding to promote the use of natural gas over other fuels.

10. PG&E conducted two marketing studies related to LNG.

11. PG&E's witness was not familiar with several LEV programs.

12. Several witnesses associated with government and nonprofit LEV programs could not identify specific ratepayer benefits from the IOU programs that did not extend to the broader population as a whole.

13. The SCAQMD witness equated the ratepayer benefits from improved air quality with those of the broader population and could not differentiate between ratepayer and nonratepayer health benefits.

14. Most of the IOUs' customer education function involves maintaining customer service staffs to field contacts from potential fleet purchasers.

15. Potential purchasers of LEV fleet vehicles include school bus operators, transit districts, government entities, garbage companies, shared ride shuttle operators, utilities and taxicab companies who generally are acting in response to statutory or air quality management district requirements

16. The IOUs' customer service staffs, among other things, tell potential fleet purchasers or fleet owners of the utilities' experience with their own fleets, furnish callers lists of LEV-related vendors and written information on new

products, and provide free grant-writing assistance to third parties seeking to obtain grants and other incentives for LEV purchases. This customer service function involves gathering literature about LEVs, maintaining websites, attending trade shows and conferences, participation in industry boards and committees, and fielding customer inquiries.

17. No party introduced evidence that it had polled other obvious sources of LEV information such as automakers to determine if it is correct that IOUs are usually the first point of contact for anyone considering investing in LEVs.

18. There is a growing number of consultants in the market who evaluate the LEV market and give potential fleet purchasers recommendations on their fleet purchases and assist them with grant writing.

19. The California Air Resources Board is already implementing a comprehensive public education and outreach program. Activities include the development of literature and websites; conducting vehicle loan and demonstration programs; participating in public events like fairs, trade shows and conferences; and conducting outreach events at college campuses.

20. PG&E informs customers of the availability of used LEVs even though we expressly disallowed such activity in D.95-11-035.

21. The manufacturers of the IOUs' CNG stations could train users of the stations that are open to the public.

22. The entire natural gas fueling training exercise appears to be limited to educating a small number of public users at a small number of unattended fueling stations.

23. Given the tiny number of EVs on California's roads, safe charging education should not involve a great outlay of funds.

24. CALSTART and SoCalGas acknowledged that natural gas fueling is now safe.

25. Much of the IOU funding directed at ensuring "reliable" service focuses on assessment of the load impacts of electric LEVs.

26. SCE already knows how to manage the load impacts presented by LEVs successfully because it has been doing so for 6 years.

27. The impact of LEVs on PG&E's electric grid is minimal.

28. Many of the IOU funding requests contain little or no justification based on the § 740.8 requirements of safer, more reliable or less costly gas or electric service.

29. The CEC urges this Commission to consider non-IOU-ratepayer sources for funding LEV programs, including public-private partnerships.

30. SCGC's members do not currently pay the § 890 Natural Gas Surcharge.

Conclusions of Law

1. Pub. Util. Code § 740.3 *et seq*. prohibits the Commission from passing funding for LEV programs through to ratepayers unless the programs are in the ratepayers' interest.

2. Ratepayers should not fund IOU LEV programs unless such programs produce direct benefits that are specific to ratepayers in the form of safer, more reliable, or less costly gas or electrical service.

3. The IOUs bear the burden of proof in these proceedings. To the extent they cannot prove that their ratepayer-funded LEV programs provide direct ratepayer benefits, the Commission must disallow the funding

4. To receive ratepayer LEV funding, the IOUs must demonstrate that they have reviewed programs of the motor vehicle industry, state, regional and local

agencies, other utilities and state and national electric and natural gas LEV research groups to ensure their programs do not unnecessarily duplicate and are complementary with the programs of these entities.

5. Utilities' LEV programs may not unfairly compete with nonutility enterprises or interfere with the development of a competitive market.

6. D.95-11-035 prohibited ratepayer funding to develop products for commercial use and to market LEVs.

7. D.95-11-035 and D.98-12-098 made clear that ratepayer funding of LEV programs would not continue indefinitely.

8. D.02-12-056 made clear that we would be considering only "discretionary" LEV program activities, such as customer service, training, research and development and other "non-mandatory" LEV programs, in this proceeding. This decision acts only on the IOUs' discretionary funding requests.

9. D.02-12-056 provided that we would review "mandatory" LEV program activities in each utility's GRC or cost-of-service proceeding. "Mandatory" LEV activities involve the acquisition of alternative fuel use fleet vehicles pursuant to federal law, operation and maintenance costs associated with use of alternative fuel use fleet vehicles and associated infrastructure, infrastructure (fueling facilities and related equipment) needed to support alternative fuel use fleet vehicles, employee training and instruction necessary for the use of alternative fuel use fleet vehicles, and accounting for the costs of these mandatory activities. These activities are outside the scope of this decision.

10. We cannot approve utility LEV programs solely because they may help improve air quality or reduce emissions.

11. The test for continued funding of the IOUs' discretionary programs should not depend on whether the market is mature and self-sustaining, because it is not clear that the market will ever reach this level.

12. The IOUs have in some cases funded programs that violate the guidelines set forth in relevant Commission decisions.

13. The IOUs have in many cases failed to show that proposals for future funding do anything more than subsidize, with ratepayer dollars, activities that the market or government regulators should fund.

14. The use of regulated monopoly funds for the development of a private business in the LEV market raises the potential for unfair competition.

15. The INEEL project, for which PG&E requests $624,000, and for which PG&E has already spent between approximately $1.6 and $2.1 million and SoCalGas has already spent approximately $1 million, violates D.95-11-035's proscription on LEV funding for projects aimed at developing products for commercial use.

16. PG&E's below-cost INEEL rate helps establish that PG&E is using LEV funding to compete unfairly with nonutility enterprises or interfere with the development of a competitive market.

17. The California Fuel Cell Partnership does not provide ratepayer benefits.

18. The IOUs are prohibited from using ratepayer dollars to market LEV programs.

19. LEV marketing includes IOU participation at trade shows, in LEV loaner programs, on industry boards and committees, and in other activities designed to promote use of LEVs. Such activities do not further the ratepayers' interest.

20. We have never granted ratepayer funding for LEV incentives; therefore, utilities' work in providing CARB input into developing guidelines for LEV incentives is not in the ratepayers' interest.

21. We expressly disallowed ratepayer funding of LEV rebates in D.95-11-035, and work aimed at promoting rebates is therefore not in the ratepayers' interest.

22. Providing customer information to fleet purchasers is not in the ratepayers' interest.

23. There is no direct ratepayer interest in having the utility encourage others to use less-polluting vehicles.

24. It is not appropriate for ratepayers to fund activities that help individual LEV purchasers.

25. It is incorrect that benefits to individual vehicle purchasers – in this case, purchasers of fleet vehicles – are equivalent to ratepayer benefits that meet the § 740.8 definition, and ratepayers should not subsidize individual fleet purchasers.

26. IOUs should share what they have learned about LEVs with customers regardless of whether we continue to fund their LEV programs.

27. The sale of used NGVs should be developed by the market without ratepayer funding.

28. Not every LEV activity that could conceivably be linked to safety is eligible for ratepayer funding.

29. It does not further ratepayer interest to promote the concept that LEVs are safe, reliable and efficient.

30. The use of ratepayer funds to educate customers on how to fuel and charge their vehicles safely on its face meets the requirement that LEV funding enhance customer safety. However, even in this area, we question how much funding the IOUs need.

31. The IOUs' training of its own employees on safe fueling and charging techniques is part of the mandatory LEV budget and not at issue here. What remains is training of non-IOU personnel who use IOU-owned public access fueling stations or who charge their own EVs.

32. The IOUs did not prove that they need significant ratepayer funding to train customers to fuel and charge LEVs safely given the small number of public access natural gas fueling stations they operate and the small number of EVs on the roads in California.

33. The IOUs have failed to prove that the efforts they make to analyze the impact of new LEV technology or products is necessary for the reliability of the grid.

34. Few parties to this proceeding cited reasons for funding that meet statutory and Commission mandates.

35. Even if LEVs have been "underfunded at all levels of government" and "[e]very dollar that a utility can bring to the table to support LEV-related RD&D will help move this industry forward," the requirement of ratepayer benefit is not met.

36. The fact that "utilities have been very successful at using their funds to attract government RD&D funds" is not a ratepayer benefit.

37. Programs that facilitate the development of clean off-road vehicles, heavy-duty on-road vehicles or natural gas hybrid electric vehicles do not meet our definition of ratepayer interest.

38. Utility efforts to inform consumers which types of LEVs may use carpool lanes do not provide a ratepayer benefit.

39. Utility efforts to create a common database of vehicle information listing available vehicles from Ford, Caterpillar, Mack, Deere and other large vehicle manufacturers do not produce safer, more reliable or less costly gas or electric service.

40. Ratepayers should not pick up the slack caused because corporate R&D outside the utility programs has dwindled substantially in the face of budgetary challenges nationally.

41. It is not the ratepayers' job to assist air quality management districts in implement their rules for clean fleet vehicles.

42. Since D.95-11-035 required IOUs to divest all non-utility stations because of their potential for anticompetitive impacts, using ratepayer dollars to expand on the IOUs' public access station base is not a proper use of ratepayer funding.

43. Hosting an auto manufacturer's demonstration site, as PG&E proposes to do with California Fuel Cell Partnership funding, does not further the ratepayers' interests.

44. While Pub. Util. Code § 890 Public Purpose Program surcharge revenue may be an appropriate funding source for IOU RD&D programs, we should deny SCGC's and ORA's request to shift funding to this source given that we are only extending the IOU programs for one additional year.

45. We should deny the IOUs' request to incorporate discretionary LEV funding into their GRCs or cost-of-service proceedings.

O R D E R

IT IS ORDERED that:

1. We grant in part and deny in part the applications by Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), and Pacific Gas and Electric Company (PG&E) (collectively, utilities or IOUs) for funding for the discretionary aspects of their Low Emission Vehicle (LEV) programs as set forth below.

SoCalGas			
Item	**Requested Funding (annual)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Customer information, education and training	$1,100,000	Disallowed (exception: safety if IOU clarifies request)	Failure to meet burden of proof: no link to safety, reliability, less costly service
NGV R&D	$935,000	Disallowed	Failure to meet burden of proof: no link to safety, reliability, less costly service
Subtotal SoCalGas	$2,035,000		
SDG&E			
NGV customer information program	$450,000	Disallowed (exception: safety if IOU clarifies request)	Failure to meet burden of proof: no link to safety, reliability, less costly service
EV customer information program	$439,000	Disallowed (exception: safety if IOU clarifies request)	Failure to meet burden of proof: no link to safety, reliability, less costly service
Subtotal SDG&E	$889,000		

Total SoCalGas/SDG&E	$2,924,000		

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Customer Education		**$2.635**		
XXI. LEV Vehicle Safety and Infrastructure Training	Fueling, Vehicle, and Infrastructure Safety training for PG&E employees as well as outside fleet operators and individuals	$0.496	$248,000 allowed; remainder disallowed	PG&E employee training part of mandatory; failure to prove linkage to safety
XXII. LEV Technology and Infrastructure Introduction; Regulatory Requirements and Funding Availability Education; Emissions Benefits; and Industry Participation	Matching technology with PG&E fleet requirements; participating on LEV industry boards to ensure coordination and non-duplication of efforts; sharing "learnings" with customers	$1.799	Disallowed	Ratepayers should not subsidize fleet customers
XXIII. PG&E Tariff Availability and Eligibility; and Inter-connection Services	Answer customer inquiries regarding applicable LEV-related gas and electric tariffs, including use of off-peak electric rates to minimize peak	$0.340	Allowed	

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
RD&D		**$1.348**		
XXIV. Small Scale Natural Gas Liquefier Demonstration	Demonstrate INEEL technology to test its ability to safely deliver low-cost liquefied natural gas to PG&E fleet to reduce fleet operation costs. LNG may also be provided, under an experimental rate, to other customers; also, evaluate use of LNG to help reduce gas distribution system costs	$0.624	Disallowed	Commercial product
XXV. Small Specialty EV Charging Architecture Development	Support development of common, global charging systems for on-road and off-road Evs	$0.184	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
XXVI. Fuel Cell Vehicle Station Demonstration	Provide support for a natural gas-to-hydrogen reformer demonstration by the CA fuel cell partnership to ensure safety and understand utility-specific system impacts and load management implications for the future	$0.540	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service
Technology Application Assessment		**$1.043**		
XXVII. Distribution System Load Impact Assessments	Evaluate EV and NGV load additions to minimize costs to distribution system	$0.550	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service
XXVIII. Safety Codes and Standards Support	Minimize utility compliance costs and protect utility and customer interests as EV and NGV codes and standards are developed	$0.089	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service

PG&E				
Program Activities	**Program Description**	**$ (Million)**	**Allowed/ Disallowed**	**If Disallowed, Reason**
XXIX. LEV Performance Assessments	Determine actual field performance of LEV technology in PG&E fleet applications to ensure safety and to lower fleet costs; share "learnings" with customers	$0.299	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service; ratepayers should not subsidize fleet customers
XXX. Participate in Others' LEV Demonstra-tions	Gather LEV related performance knowledge through project cost-sharing, to reduce PG&E fleet	$0.105	Allowed	
TOTAL		**$5.026**		

SCE					
Activities Related To:	**Utility Role**	**Ratepayer Benefit**	**Budget**	**Allowed/ Disallowed**	**If Disallowed, Reason**
Emergency response to Evs	SCE primary source of EV safety information concerning issues related to utility operations.	Safety awareness and emergency preparedness.	$27,342	Allowed	
Information Network.	Source for information on utility EV programs including time-of-use rates, etc.	Customer information source for EV load management information, safety hook-ups, etc.	$45,540	Allowed	
EV Loan program	Collects EV use profile data and assists in designing load management.	Load management, time-of-use, etc.	$36,432	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service
Customer Outreach	Disseminate information to customers and public about EV fleets, rates, load management, etc.	Customer information sources for utility EV load management, safety, energy efficiency, etc.	$72,864	Disallowed	Failure to meet burden of proof: No link to safety, reliability, less costly service
TOTAL			$182,160		

2. For each approved IOU program, we extend funding for one year, to expire one year from the effective date of this decision.

3. Due to the concerns we express in this decision, we approve no funding for the period after this one-year period ends.

4. Commencing 90 days from the effective date of this decision, and continuing every 90 days thereafter, the IOUs shall file and serve the IOU Low Emission Vehicle (LEV) Programs Quarterly Report, attached hereto as Appendix A, covering the previous 90 day period of program activity. The Quarterly Report requires that the IOUs identify how each program activity relates to safety, reliability or less costly gas or electric service, report on how many people were served, submit program materials, and otherwise establish that they are meeting the requirements of D.95-11-035 and this decision.

5. To the extent the IOUs have included requests for mandatory funding in their applications – even interim funding pending the outcome of their general rate cases (GRCs) or cost-of-service proceedings – we do not act on them here. They must seek interim funding in those other proceedings.

6. PG&E's and SoCalGas' past spending on the Idaho National Engineering and Environmental Laboratory (INEEL) project violates the Commission's proscription of LEV ratepayer funding for new commercial products. These IOUs shall make their respective LEV balancing accounts whole with shareholder funds.

7. We deny PG&E's request for funding for the INEEL project on the ground it does not serve the ratepayers' interest.

8. We deny PG&E's request for funding for the California Fuel Cell Partnership on the ground it does not serve the ratepayers' interest.

9. We halve each IOU's request for ratepayer funding for customer education related to safe fueling and charging. PG&E seeks $496,000 million and shall receive $248,000. Because SoCalGas/SDG&E and SCE did not break out their budget requests to show safety-related functions, they failed to meet their burden of proving that their programs relate to an approved goal, and therefore we deny their requests for customer education funding.

10. We deny each IOUs' request for funding to assess the impact of new LEV technology and products on load.

11. We deny the IOUs' request for customer education funding that is not safety related.

12. We deny the request of the Southern California Generation Coalition (SCGC) and the Office of Ratepayer Advocates (ORA) to shift funding for LEV research and development (RD&D) to Pub. Util. Code § 890 public purpose surcharge funding, given that we are only approving continued funding for one additional year.

13. In summary, the IOUs are prohibited from using the ratepayer LEV funding as follows:

- The INEEL liquefied natural gas project, the California Fuel Cell Partnership, or other RD&D programs aimed at commercialization.
- Marketing of LEV products, including the type of activities we describe in the section entitled "Marketing," above.
- Sharing of IOU "learnings" with fleet customers, including the type of activities we describe in the section entitled "Sharing of IOU 'Learnings' With Customers," above. (Exception: necessary safety programs.

- Programs that duplicate efforts of other industry players, including the type of activities we describe in the section entitled "Limits on Duplicative Activities," above.
- Activities related to customer incentives or rebates for purchasing LEV equipment.
- Any other activity for which the IOUs have failed to prove a linkage to safety, reliability or less costly gas or electric service.

14. This proceeding is closed.

This order is effective today.

Dated ___________________, at San Francisco, California.

STATE OF CALIFORNIA GRAY DAVIS, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

IOU Low Emission Vehicle (LEV) Programs
Quarterly Reports Narrative Template

How and To Whom to Submit Quarterly Reports

- **To the CPUC Energy Division:** You must send both hard copies and electronic submittal

  - **Hard Copies to CPUC:**

    - 3 printed copies (at least one unbound) of the Quarterly Report Narrative and the Quarterly Report Workbook (You need only print areas with cells containing data)

    - **Attachments:** 2 copies of all materials and sample forms used in the program

    - Send hard copies and attachments to:
      Energy Division Director
      California Public Utilities Commission
      505 Van Ness Avenue, 4th Floor
      San Francisco, CA 94102

- **To the Service List (e-mail only)**

You should download and use the current service list each time you serve. The current list is available at http://www.cpuc.ca.gov/published/service_lists/A0203047_39807.htm

- ***Notification of Availability*** of your Quarterly Report.

  - Your e-mail notification subject heading should follow the naming convention described below:

    - Low Emission Vehicle Quarterly Report [program implementer name] [quarter covered by report].

  - Your e-mail notification body should contain the following

    - Description of what is being made available

    - Instructions on how to obtain the quarterly report electronically or by mail.

    - URL or Hyperlink to the section of your webpage where the report is posted.

IOU Low Emission Vehicle (LEV) Programs
Quarterly Reports Narrative Template

Program Implementer Name:	
Quarter:	
Period Covered by this Report:	

Section I. Program Overview

Provide a brief description of LEV program activities for the quarter (one or two paragraphs)

Section II. Program Summary Data

Provide a list or table that summarizes program budget, expenditures, goals and achievements by end of reporting period. The list or table should include the following, as applicable:

1. Program Expenditures

- Total program budget and total expenditures by end of reporting period (actual and committed displayed separately and totaled)

2. Safety Related Expenditures

For each safety related activity, provide the following data:

- A description of each activity (subject matter, delivery method, material **provided**, how it relates to safety, etc.)

- Number and description of persons (*e.g.*, fleet customer, residential customer, **noncore** customer, etc.) to whom safety information delivered

- Number of staff persons involved in each **activity** and time spent on each

- To the **Energy Division** care **of Energy Division Director** submit two copies of all **material**, including but not limited to safety instructions, flyers, brochures, posters, program announcements, newsletters, website posting, websites, etc. (**NOTE:** Websites and website postings need not be printed and sent to ED, but please provide list of URLs and brief description of each website and web posting)

- Quantity produced of each piece of **material**

- Method(s) of distribution and approximate **quantities** distributed by each method

- Expenditures on each activity and totaled

3. Reliability Related Expenditures

For each reliability related activity, provide the following data:

- A description of each activity (**subject** matter, description of how activity relates to reliability of electric or gas system, materials developed or obtained, etc.)

- Number of staff persons involved in each activity and time spent on each

- To the **Energy Division** care of **Energy Division Director** submit two copies of all materials developed or **obtained**, including but not limited to studies or analyses of impact of new LEV technology on load, grid or reliability

- Expenditures on each **activity** and totaled

4. Expenditures for Activity Leading to Less Costly Gas or Electric Service

For each activity that will lead to less costly gas or electric service, provide the following data:

- A description of each activity (subject matter, delivery method, material provided, how it will lead to less costly gas or electric service, etc.)

- Number of staff persons involved in each activity and time spent on each

- To the **Energy Division** care of **Energy Division Director** submit two copies of all materials developed or obtained, including but not limited to studies or analyses of how program activity will reduce rates

- Expenditures on each activity and totaled

5. Other Expenditures

- A description of accomplishments not captured within the foregoing section and how they relate to safer, more reliable, or less costly gas or electrical service.

- A description of each activity (subject matter, delivery method, material provided, how it will accomplish Commission-articulated goals for ratepayer-funded IOU LEV programs, etc.)

- Number of staff persons involved in each activity and time spent on each

- To the **Energy Division** care of **Energy Division Director** submit two copies of all materials developed or obtained, including but not limited to studies or analyses of how program activity will accomplish Commission-articulated goals for ratepayer-funded LEV programs, etc.

- Expenditures on each activity and totaled

Section III. Additional Items

Please use this section to report issues, information and data not included in the main body of the report, but deemed relevant and important by the program implementer. You may organize this section as you see fit.